

REPORT
OF
IMPLEMENTATION OF L. 2005 S.B. 500
AS IT RELATES TO THE FIRST STEPS PROGRAM



SUBMITTED BY:

MISSOURI DEPARTMENT OF INSURANCE,

FINANCIAL INSTITUTIONS

& PROFESSIONAL REGISTRATION

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During the 2005 legislative session, Missouri legislators passed Senate Bill 500. A significant part of the bill requires licensed health insurers and health maintenance organizations (HMOs) to include coverage in their benefit packages for the services provided under the First Steps Program.

The First Steps Program operates through the Missouri Department of Elementary and Secondary Education (DESE). It is an early intervention program funded with state and federal moneys that provides a variety of services, including therapy services (physical therapy, occupational therapy, speech/language therapy, assistive technology, etc.) for children with developmental delays and other qualifying medical problems between the ages of birth and three years. The federal portion of the First Steps Program is authorized under Part C of the Individuals with Disabilities Education Act (IDEA). The program provides services to over 7,000 of Missouri's children and their families each year.

The Department of Insurance, Financial Institutions and Professional Registration (DIFP) is required under §376.1218.9 RSMo to provide a report to the Missouri General Assembly by January 30, 2007, on the number of children receiving First Steps' services who have private insurance coverage, and the total amount of moneys paid on behalf of such children by private health carriers and health benefit plans. In this report, we are also including progress of the implementation of the new law. This report covers calendar year 2006.

During 2006, there were approximately 3,700 children enrolled in the First Steps Program during any given month. Insurance information collected at each System Point of Entry (SPOE) office identified 1,490 First Steps' children with private insurance coverage. The law does not require that First Step Program participants utilize their personal insurance coverage; however, participants who are unwilling to provide access to personal insurance are subject to increased Family Cost Participation obligations for First Step services. Some types of health benefit plans under which First Steps' children are insured are exempt from this state mandate. In addition to the exemptions allowed in §376.1218.8 RSMo another exempted plan is a "self-funded" ERISA-qualified health benefit plan.

Section 376.1218.7 RSMo provides three options for insurers and HMOs to meet their annual financial obligations to provide coverage for specified First Steps' services:

Assessment Payments:

1. pay \$500,000 in total on behalf of all affiliated insurers under common ownership
2. pay ½ of 1% of their direct written premium as declared on their most recent annual financial statement

Direct Billing:

3. pay by individually submitted claims

The first two options satisfy the company's obligation on behalf of all of their policyholders and do not have any impact on a family's maximum lifetime insurance cap. The third option can be counted toward an individual's maximum lifetime cap. The maximum reimbursable claim exposure for any one insured child annually is \$3,000. **Based on 1,490 First Steps' children reporting, the maximum total exposure to the insurance industry in Missouri for 2006 was \$4.47 million.**

On January 1, 2006, Emergency Rule 20 CSR 400-2.170 went into effect. This regulation provides guidance to insurers on their payment obligations, explains the method by which DESE sends First Steps claims to the insurers and HMOs, and details how insurers and HMOs are to make payments under any of the three options. DIFP, DESE, and DESE's First Steps claims, billing, and payment activity contractor, *Covansys*, worked closely to implement the law and draft regulation. Insurers and HMOs were to comply with this benefit and payment obligation as of January 31, 2006.

DIFP provided DESE with a complete list of all affected insurers and HMOs, group affiliations of these entities, and written premium information for 2004, which was the most recent annual financial information available at the time. Section 376.1218.8 RSMo allows for certain types of health policies to be excluded from First Steps' payment obligations, but DIFP was unable to identify these policies from annual financial statement information, so all insurers that were thought to have an exposure were notified. In October 2005, 377 insurers were put on notice by *Covansys* that they may have an exposure for claims and an obligation for payment based on the direct written premium reported on their annual statement. The notification asked all affected entities to declare which of the three payment methods they intended to use for calendar year 2006.

2006 INSURER AND HMO FIRST STEPS DECLARATION OF PAYMENT INTENTION

| | \$500,000 Assessment | 1/2 of 1% of direct written premium | Direct Claim Billing | Not Applicable | No Response | Total |
|----------------------------|-------------------------|--|-------------------------|-------------------|----------------|-----------------------|
| Number of Carriers | 10 | 119 | 39 | 192 | 17 | 377 |
| Assessment Payments | \$1,000,000.00 | \$330,028.44 | | | | \$1,330,028.44 |
| Claims Billed | | | \$86,579.00 | | | \$86,579.00 |

The insurance payment data above represents insurance billing activity for calendar year 2006. Two groups, *United Health Group* and *Wellpoint, Inc.*, representing 10 individual carriers, some of which are the largest health insurers in Missouri, opted for a single payment of \$500,000 each on behalf of their affiliated insurers and HMOs. One hundred and nineteen (119) insurers and HMOs elected to make payment of 1/2 of 1% of the applicable direct written premium reported on their annual statement. The total of lump sum payments from these two available payment options to the First Steps Program was \$1,330,028.44 for 2006. These payments were due to the First Steps Program by January 31, 2006; however, the process of receiving and recording payments from those carriers electing an assessment payment option was completed July 20, 2006.

Thirty-nine (39) insurers and HMOs elected to pay First Steps by direct claim billing. Of these, 31 provided the necessary information to *Covansys* to enable direct claim billing. As of January 1, 2007, direct claim billing of 2006 applicable services was \$86,579. The majority of those claims have not been paid to date. Section 376.1218.5 RSMo exempts insurers and HMOs from compliance with the “prompt pay laws” under §356.383 RSMo and §376.384 RSMo until January 1, 2007. Direct claim billing, if fully paid, will account for less than 7% of the insurance payments to First Steps. As of January 1, 2007, First Steps identified \$16,953,558 in expenditures for direct services in 2006. This means direct claim billing is a 1/2% of the total expenditures for early intervention services by the program.

The direct claim billing process incurred some implementation difficulties during the first year because the *Covansys* billing system was not always compatible with the varied and disparate claim systems used by the 39 insurers opting for direct claim billing. *Covansys* is currently working to identify all of the billing issues. Once they have pinpointed the problems, DIFP, DESE and *Covansys* will be meeting to discuss how they can assist insurers and HMOs with the problems to make the system work more efficiently. An insurer’s or HMO’s possible delinquent payments, inadequate billing information, inappropriate claim denials, or failure to respond will be addressed in future market conduct exams of the insurance companies and HMOs by DIFP. Due to prior exam scheduling commitments, this issue will most likely be addressed during market conduct exams beginning later in 2007.

One-hundred and ninety-two (192) insurers reported they had no applicable exposure (no insureds under the age of five) or their lines of business were exempt from the mandate and had no claim exposure. Seventeen (17) insurers or HMOs failed to provide payment election information; therefore, First Steps was unable to bill these insurers and HMOs for early intervention services provided during calendar year 2006 to First Steps’ families insured by them.